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REVIEW OF DEPUTY MINISTERS' SALARY ADJUSTMENTS

November 30, 2000

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INTRODUCTION

On June 8, 2000, the Premier appointed this Panel to "assess the fairness and appropriateness of scheduled increases to Deputy Ministers' salaries" and to "provide recommendations on a mechanism for determining future compensation adjustments for both Deputy Ministers and heads of public sector bodies."

The Panel's report will look at the appropriateness of Deputy Ministers' current salary ranges, and corresponding Job Rates, overall compensation and proposed salary adjustments. The Panel will also review how individual Deputy Ministers are classified and compensated within these compensation structures.

An additional report has been prepared which reviews the salaries of heads of public sector bodies.

TERMS OF REFERENCE

The Premier set out the Panel's mandate regarding Deputy Ministers in Part I of the Terms of Reference, set out below:

I. Review of Deputy Ministers' Salary Adjustments

A report to the Premier summarizing findings is to be completed by October 15, 2000 (later extended to November 30) and will include recommendations respecting:

1. Factors and comparators relevant to Deputy Minister salary determination which may include, but are not limited to, other provincial jurisdictions, the Federal Government, executive salaries in the BC private and public sectors and current labour market conditions;

2. A mechanism for determining future compensation adjustments for Deputy Ministers;

3. An appropriate cycle for ongoing review of Deputy Ministers' salaries;

4. Whether or not to proceed with the previously proposed April and July salary adjustments; and

5. Criteria to ensure equitable classification of Deputy Minister positions into the three sub-levels.

EXECUTIVE SUMMARY

Overall, the Panel recommends that the issue of executive compensation, including relative salaries, be removed from the political arena.

Specifically, the Panel recommends that:

1. The appropriate factors and comparators for determining Deputy Ministers' salaries be:

    - Compensation for comparable positions in other jurisdictions and in the broader British Columbia public sector;
    - Appropriateness of Deputy Minister salaries relative to Associate Deputy Minister and Management Level salaries; and
    - The job performance of an individual Deputy Minster.

The Panel recommends that increases to Deputy Ministers' salaries not depend upon or correlate to increases to unionized employees.

2. Deputy Minister's future compensation adjustments be determined using the following mechanism:

a. **A salary range** consisting of a minimum of 85% of the Job Rate and a maximum of the Job Rate for each of the three classifications of DM1, DM2, and DM3, based on the current Job Rates and classifications.

b. **A Deputy Minister classification system** whereby Deputy Ministers are classified according to level of responsibility to which they are assigned, and then placed in the relevant salary range according to their individual levels of experience and skill.

c. **A system of performance pay** as set out in this report, so each Deputy Minister, once placed, will move through the salary range by a system of performance appraisals. Under the performance pay system:

    1. Each Deputy Minister performing satisfactorily or better can achieve a maximum of five percent salary increase per year, until he/she reaches 100 percent of his/her Job Rate; and

    2. Each Deputy Minister having continuous satisfactory performance will reach his/her Job Rate in no more than three years.

d. **A re-earnable incentive system**, as set out in this report, to compensate Deputy Ministers whose performances substantively exceed expectations in a given year. This system shall include:

   1. potential re-earnable incentive pay for all Deputy Ministers consisting of up to $11,600 for Deputy Ministers who have reached 100% of their Job Rate; or up to their Job Rate for Deputy Ministers whose salaries are less than their Job Rate;

   2. a potential re-earnable incentive total collective amount available for re-earnable incentives in any given year being no greater than the number of Deputy Ministers multiplied by $11,600 multiplied by 50%.

e. **A system of acting pay** be considered when a Deputy Minister is initially assigned to a higher category.

f. **A revised pension benefit** whereby:

   1. the 1981 pension purchase benefit is deleted for future appointments;

   2. the pension contributions of a Deputy Minister who has attained the maximum pensionable service should cease.

It is recommended that the proposed salary adjustment for April 2000 be implemented. It is recommended that the proposed July 2000 salary adjustment not be implemented. Rather, there should be a salary adjustment effective April 2001 so that all Deputy Ministers be paid no less than the new minimum salary in his/her classification. Further, the Panel recommends that for the year April 1, 2000 to March 31, 2001 there be a transition to the Performance Pay System.

Finally, it is recommended that an independent Advisory Committee be appointed immediately and to meet no less than annually to review compensation of Deputy Ministers and the executive level of the British Columbia public service. The Committee will determine future Job Rates and salary ranges for Deputy Ministers, Assistant Deputy Ministers, and Management Levels by reference to relevant comparisons consistent with the policy guidelines identified in this Report, and such other matters, as the Committee deems appropriate; and be composed primarily of credible individuals in leadership positions in the community outside the public sector. There will be an obligation for this Committee to liaise carefully with the head of the Public Sector Employers Council.

BACKGROUND

From early 1992 to December 1999, Deputy Ministers in British Columbia were classified into four groups.

TABLE 1:

Four Levels of Deputy Ministers	Maximum Salary*
Group 1	$121,313
Group 2	115,800
Group 3	110,285
Group 4	104,700

* There was no minimum or defined salary range for these classifications.

Note: As well, the salary for certain senior positions in Crown Agencies track Deputy Minister salaries. These equivalent positions are treated the same as Deputy Ministers in this Report.

Deputy Ministers received a 3.5 percent salary increase in August 1992. After that increase, the government froze further compensation increases for public service and public sector executives earning $100,000 or more per year in base salary. Deputy Ministers subsequently received a one percent general increase effective November 1997. By 1999, Deputy Minister salaries were lower than salaries in comparable positions in the British Columbia public sector, and lower than Deputy Minister salaries in the provinces of Ontario, Quebec, Saskatchewan and Alberta.

In the Fall of 1999, the Public Service Employee Relations Commission (PSERC) raised this and other issues regarding Deputy Minister Compensation with the Public Sector Employers' Council (PSEC) through its Exempt Compensation Sub-Committee. The concerns are summarized as follows:

1. There was a wide range of individual salaries for Deputy Ministers. This was due partly to historical inequities and partly to the fact that there was no basis for the placement of a Deputy Minister within a salary range, and no mechanism for movement within a salary range.

2. Due to the salary freeze, the relative salaries of Deputy Ministers, Assistant Deputy Ministers and senior managers had become inequitable, given the relative responsibilities of these positions.

3. As a further result of the salary freeze, Deputy Ministers earned less than Officers of the Legislature and other senior administrators over whom they had responsibility. They also earned less than the Chief Judge of the Provincial Court, whose compensation was historically at the equivalent level of the Deputy Ministers.

4. Again, because of the freeze, Deputy Ministers did not receive salary increases, which had been negotiated for bargaining unit employees within government.

5. The responsibilities of the Deputy Ministers became more complex as the public service tried to maintain service with diminished resources.

PSERC maintained that the Deputy Minister compensation structure as a whole was not competitive or equitable and as a result there were significant problems recruiting and retaining qualified individuals for Deputy Minister positions.

There is no doubt recruitment and retention of Deputy Ministers has become a problem in recent years. A sample indicates that, in the last four years, 21 individuals, or 55 percent of the incumbent Deputy Ministers, vacated their positions. Of these, four Deputy Ministers retired while six left for employment in the federal sector or British Columbia public sector (four individuals taking leadership positions in the British Columbia public sector) and an additional five left for consulting work in the private sector. In the previous six-year period, only eight individuals (21 percent) left their Deputy Minister positions, with one going into the public sector, and three going to the private sector.

In December 1999, in response to PSERC's concerns, PSEC endorsed a Management Compensation Plan to improve the Deputy Minister compensation structure and to increase salary compensation to Deputy Ministers in a series of steps.

DEPUTY MINISTER PENSIONS

In addition to their base salary, Deputy Ministers are entitled to a pension plan with the following provisions:

1. "Rule of 85" – Deputy Ministers, like other public service employees, may retire without reduction if the Deputy Minister has an age and service combination of 85. For example, an employee with 30 years of pensionable service could retire at age 55 without a reduction.

2. Deputy Ministers earn 1.5 years of pensionable service for each one year actually served as a Deputy Minister. For example, an employee who served six years as a Deputy Minister would have nine years pensionable service.

3. Deputy Ministers currently may purchase one additional year of pensionable service for each year employed as a Deputy Minister, up to a maximum of 5 years. This benefit was approved in 1981, when Deputy Ministers' pensions vested after ten years of service. In 1993, the time required to vest a pension was reduced from ten to five years. On January 1, 1998, the time was again reduced, this time from five to two years.

As a result of these provisions, a Deputy Minister who serves for three years earns 4.5 years of pensionable service and can purchase an additional three years, for a total of 7.5 years of pensionable service.

The cost to the government for the additional .5 years of pensionable service for each year served equates to eight percent of the particular Deputy Minister's annual salary.

The average cost to the government for each additional year of pensionable service purchased by a Deputy Minister is $21,000. When this is averaged among all Deputy Ministers, the cost per Deputy Minister is $14,000 annually for each year purchased.

THE PSERC MANAGEMENT COMPENSATION PLAN — CHANGES TO DEPUTY MINISTER CLASSIFICATIONS, JOB RATES AND SALARIES

As part of the PSERC plan, Deputy Ministers were re-classified into three levels from four (the "Reclassification"). A DM 1 represents the most senior position. The levels were defined largely in terms of ministry assignments. Level 1 included the Deputy Minister in the Ministries of Health and of the Attorney General and the Deputy Minister and Chief of Staff to the Premier. Level 2 includes the Deputy Minister in the Ministries of Children and Families, Finance and Corporate Relations, Social Development and Economic Security, Forests, Education, Aboriginal Affairs, and Environment, Lands and Parks. Level 3 includes the Deputy Minister in all other Ministries — 26 incumbents in all. (See Appendix A.)

In January 2000, subsequent to PSEC's endorsement, then Premier Dan Miller authorized and announced a new compensation scheme, with a new salary range upon which all Deputy Minister positions were placed.

To establish this scheme, the government set the Job Rate for DM 2 at $144,000 and determined there should be a $10,000 differential between this Job Rate and the Job Rates for the other two Deputy Minister levels. As a result, the Job Rate for DM 1 was set at $154,000 and the Job Rate for DM 3 was set at $134,000. The Job Rate is the highest salary a Deputy Minister can expect to obtain in a particular classification for satisfactory performance.

For the first time, the new scheme also set a minimum salary as the normal lowest salary a Deputy Minister was to be paid. The minimum salary was set at 80 percent of the Job Rate for the DM 2, or $115,200, for all three levels.

The scheme also set out a "maximum" salary, defined as "the maximum salary obtainable through job performance." Any increase above the "job rate" was to be based on performance. The maximum compensation was determined by taking 115 percent of the job rate for DM 2, or $165,600.

This level of compensation was to be available only at the DM 1 level, an increase of $11,600, or 7.5 percent over the Job Rate for DM 1. This amount of $11,600 was then added to the other Deputy Minister Job Rates to obtain the "maximum" amounts of $155,600 for DM 2 and $145,600 for DM 3, 8 percent and 8.65 percent respectively greater than the Job Rate.

These new Job Rates, minimums and maximums, as of January 2000 are set out below:

TABLE 2: Deputy Minister rates as at January 1, 2000

Levels	Pre-Jan 1/00	Minimum	Job Rate	Maximum
DM 1	$121,313	$115,200	$154,000	$165,600
DM 2	115,800	115,200	144,000	155,600
DM 3	110,285	115,200	134,000	145,600

Note: see Table 1 for pre-January rates.

The Government also accepted recommendations PSERC had made suggesting graduated changes to individual Deputy Minister salaries in the context of these new Job Rates. One goal of the proposed salary increase was to equalize historical inequities between individual Deputy Ministers and to create a more uniform compensation structure.

In January 2000, the first three steps of this compensation plan were implemented (the "January 2000 increases"):

1. Deputy Ministers earning below the minimum of $115,200 were given a salary increase to bring their salaries to the new minimum. This reflected an average increase to Deputy Ministers of 2.4 percent (the "reclassification increase").

2. Deputy Ministers were granted a "performance adjustment" which averaged 6.9 percent for Deputy Ministers overall (the "performance adjustment").

3. In addition, Deputy Ministers received a two percent increase in exchange for the removal of an equivalent annual one-week special vacation credit (which value was two percent over a year). This adjustment did not cost the Government, nor did it effectively increase the compensation of Deputy Ministers.

There were further increases panned to phase in the implementation of the new salary plan, which were held in abeyance, pending this Panel's review.

The planned, but deferred, increases were:

1. A two percent increase (the "April 2000 increase") which was granted to all excluded employees under a Treasury Board order, but withheld from Deputy Ministers; and

2. An amount equivalent to 6.9 percent of the total of Deputy Ministers' salaries which was to have been distributed to individual Deputy Ministers in varying amounts based on the complexity of the respective position and upon individual experience and performance. This increase was originally planned for July 2000 (the "July 2000 increase").

Table No. 3A demonstrates the effect of the various implemented and deferred increases on the average salaries paid to Deputy Ministers.

TABLE 3A:

		DM 1	DM 2	DM 3
Deputy Ministers and Equivalents (2000) (# of individuals in each level)		5	7	26
Salary Range	Min.	$115,200	$115,200	$115,200
	Job Rate	154,000	144,000	134,000
	Max.	165,600	155,600	145,600
Deputy Minister Salaries January 2000 (after January increases—Actual) Average Salary		141,431	132,024	123,957
Deputy Minister Salaries if the April 2000 and July 2000 Increases were Implemented Average Salary		151,482	142,762	132,283

Note: see Table 1 for pre-January rates

The combined effect of the proposed April 2000 and July 2000 increases would be that the average salary for each classification would increase by approximately $10,000 from the level reached as a result of the January 2000 increase.

It is not evident from Table 3A how the July 2000 increase, in particular, would have affected individual Deputy Ministers. As stated, the July 2000 increase was not to have been allocated evenly among individual Deputy Ministers, but was to have been distributed on the basis of responsibility, experience and performance.

However, it is clear from individual salary information provided to the Panel that the proposed allocation of the July 2000 increase would have served to significantly level out the wide range of Deputy Ministers' salaries.

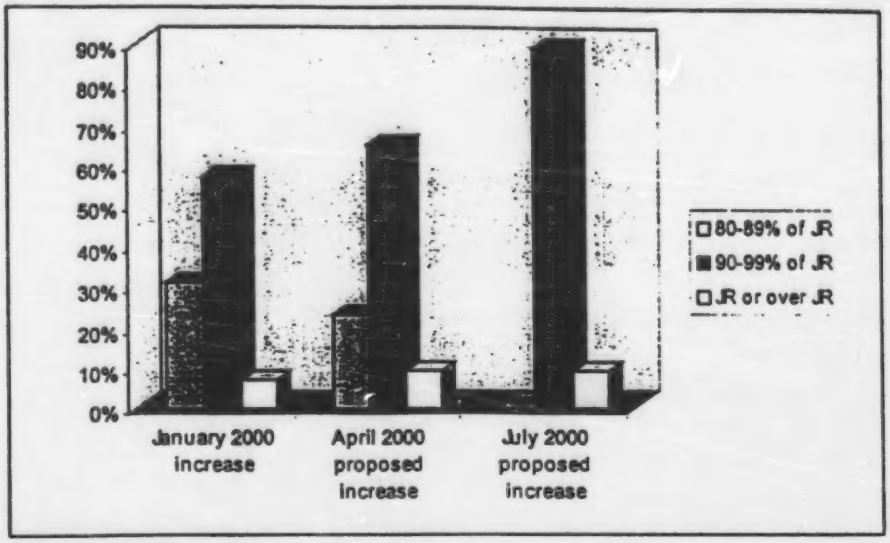
In particular, if the April 2000 and July 2000 increases had taken effect, all five Deputy Ministers at the DM 1 level would have earned a salary of $151,450. Before the increases, there was a range of approximately $26,000 between the highest and lowest paid DM 1. The effect of the April 2000 and July 2000 increase would have been to give the highest paid DM 1 a two percent increase, and the lowest paid DM 1 a 23 percent increase.

At the DM 2 level, if the April 2000 and July 2000 increases had taken effect, six of the seven Deputy Ministers at that level would have earned salaries of $142,075, and the seventh Deputy Minister would have earned approximately $147,000. Without the increases, the difference between the highest and lowest paid DM 2 is $24,000. The April 2000 and July 2000 increases would have represented a two percent increase to the highest paid DM 2 and would have represented a 16 percent increase to the lowest paid DM 2.

At the DM 3 level, the proposed April and July 2000 increases would have resulted in 23 of the 26 Deputy Ministers earning salaries of $131,450, while three Deputy Ministers would have earned $2,000, $5,000 and $13,000 more than that. Without the increases, the range between the highest and lowest paid DM 3 is $26,000. The April 2000 and July 2000 increases would have represented a two percent increase for the highest paid DM 3 and a 13% increase to the lowest paid DM 3.

Furthermore, in addition to raising the average salary and standardizing the salary rate within classifications, the July increases would move all Deputy Ministers to between 90–99% of their respective new Job Rates. Table 3B demonstrates how individual Deputy Ministers' salaries relate to the new Job Rates after the January increases, and after the proposed April 2000 and July 2000 increases.

TABLE 3B: Percentage of Deputy Ministers & Equivalents receiving the Job Rate



Note: 'JR' refers to the Job Rate

In summary, as at January 2000, 57 percent of Deputy Ministers had salaries between 90–99 percent of the Job Rate. The effect of the proposed April 2000 increase would raise this to 65%. Implementation of the proposed July 2000 increase would mean that 100 percent of the Deputy Ministers would receive a salary of 90% or more of their new Job Rate.

POLICY OBJECTIVES

In addressing our Terms of Reference, it is the Panel's view that the key policy objective is to encourage and maintain a skilled, experienced and committed public service, by recruiting and retaining expertise at the Deputy Minister level. To achieve this, the basis for a fair compensation of Deputy Ministers must be three-fold.

It must reflect fair compensation in relation to comparable positions in other jurisdictions and elsewhere in the public sector. Without some rough equivalency between comparable positions, the Government cannot expect to keep senior executives who could easily transfer into equivalent, but higher paid, positions.

It must reflect fair compensation within the government classification system itself. The salary and compensation structure for Deputy Ministers should bear a relationship to the remuneration of Assistant Deputy Ministers and Senior Managers. It should recognize the increased level of responsibility and accountability of Deputy Ministers.

It must reflect fair compensation for the experience, skills and/or performance of individual Deputy Ministers. Based on the above criteria, the Panel will assess the appropriateness of the Reclassification and the proposed April 2000 and July 2000 Increases. As part of the assessment, we will compare the effect of the salary increases, both those granted and those proposed, with individuals in similar positions in the public sector and in other Canadian jurisdictions.

ANALYSIS

1. SALARIES AND SALARY RANGES

The Panel compared the compensation paid to Deputy Ministers in British Columbia to that paid to Deputy Ministers in other jurisdictions. We also compared Deputy Ministers' salaries with comparable positions in the public sector. In making this comparison, we relied on data provided by PSERC.

For the purposes of salary comparisons across jurisdictions in Table 4, the Panel has used the new Job Rates as the maximum salary, as this more accurately reflects the actual salary range now paid in British Columbia. The Panel has used the British Columbia "maximum salary" of $11,600 over the Job Rate as a "re-earnable incentive", although it is not defined as such at this time.

Table 4 sets out the annual salaries of Deputy Ministers in the federal public service and in other provinces for 1999 and 2000, along with the respective sizes of their public service and their population:

TABLE 4: Deputy Minister Salaries (Job Rate) by Jurisdiction

	Minimum Salary	Maximum Salary	Re-earnable Incentive	Number of Employees	Population
Federal	$173,000 154,400 134,300	$203,500 181,700 158,000	$20,350 18,170 15,800	187,187	30,301,000
Ontario	162,900	182,100	36,420	60,386	11,413,000
Quebec	125,300 121,700 118,000 111,100 104,300	162,900 158,200 153,400 144,500 135,600	16,290 15,820 15,340 14,450 13,560	64,000	7,324,000
B.C.	115,200 115,200 115,200	154,000 144,000 134,000	11,600 11,600 11,600	39,000	4,000,000
Alberta		135,200	27,040	22,500	2,914,000
NWT		102,804	51,402		
Saskatchewan	106,300 98,500 91,200	132,841 123,000 113,900		11,390	1,024,000
Yukon	81,046	124,751	7,485		
New Brunswick	100,629 93,237	110,800 102,700		14,000	753,000
Manitoba	102,377 88,286 82,234	123,599 106,424 98,537		14,249	1,138,000
Nova Scotia	90,800	104,985		6,300	934,000
Newfoundland	96,900	108,976		7,937	543,000
P.E.I.	77,400	84,900		1,400	137,000

Note: this is a salary comparison exclusive of benefits. Total compensation is compared at Table 10 later in this Report.

In 1999, British Columbia ranked fourth in population and in the size of the public service. The maximum salary for Deputy Ministers ranked sixth in the country. With the January 2000 increases, the Deputy Minister Job Rates rank third in the country, just slightly ahead of the Job Rate for Deputy Ministers in Quebec.

Tables 5 through 9 inclusive provide a more detailed picture of the relative Job Rates in the various jurisdictions. Specifically, these tables compare the size, responsibility and maximum salaries available to Deputy Ministers in five selected Ministries: Health, Attorney General, Children & Families, Forests, and Small Business and Tourism. Data for the actual salaries and classifications for Deputy Ministers in jurisdictions other than British Columbia was not available on a Ministry-by-Ministry basis. Therefore, the Panel assumed that the Deputy Ministers classification of each Ministry in other jurisdictions were the same as in British Columbia.

In the two largest ministries, Health and the Attorney General, British Columbia has placed Deputy Ministers in the Deputy Minister 1 classification. The comparisons of Deputy Ministers' salaries in these ministries with Deputy Ministers with similar responsibilities in other jurisdictions can be seen from the two charts the two following charts.

TABLE 5: Deputy Minister — Health (DM 1)

Province	Salary for Equivalent Level of Responsibility	Rank	Dollar Millions	Rank	Number of Employees	Rank
Federal	$203,500	1	$2,080	5	-	-
Ontario	182,100	2	21,988	1	5,550	1
Quebec	162,900	3	15,468	2	968	4
B.C.	154,000	4	7,720	3	3,200	2
Alberta	135,200	5	5,623	4	2,625	3

At the new Job Rates of $154,000 for this classification, the British Columbia Deputy Minister of Health ranks fourth in Job Rate, although the British Columbia Ministry of Health ranks third in budget and second in number of employees. At the same time, health care delivery varies widely from province to province and this Job Rate level is between that of Quebec, which has a higher budget but fewer employees, and that of Alberta, with a slighter smaller budget than British Columbia.

TABLE 6: Deputy Minister — Attorney General (DM 1)

Province	Salary for Equivalent Level of Responsibility	Rank	Dollar Millions	Rank	Number of Employees	Rank
Federal	$203,500	1	$657	1	-	-
Ontario	182,100	2	622	2	4,300	1
Quebec	162,900	3	248	4	2,431	3
B.C.	154,000	4	228	5	2,414	4
Alberta	135,200	5	456	3	4,193	2

In the Ministry of the Attorney General, the Deputy Attorney General's Job Rate is ranked fourth, as is the number of employees, although the Ministry's budget is half that of Alberta, where the Deputy Attorney General's Job Rate ranks fifth.

The Panel also compared two of the mid-sized ministries: the Ministry for Children and Families and the Ministry of Forests. The Deputy Ministers of these ministries are placed at the Deputy Minister 2 level, with a Job Rate of $144,000. The comparisons are set out in the tables that follow.

TABLE 7: Deputy Minister — Children and Families (DM 2)

Province	Salary for Equivalent Level of Responsibility	Rank	Dollar Millions	Rank	Number of Employees	Rank
Ontario	$182,100	1	$7,504	2	5,805	1
Federal	181,700	2	27,533	1	-	5
Quebec	153,400	3	1,548	3	346	4
B.C.	144,000	4	1,501	4	5,150	2
Alberta	135,200	5	536	5	2,160	3

TABLE 8: Deputy Minister — Forests (DM 2)

Province	Salary for Equivalent Level of Responsibility	Rank	Dollar Millions	Rank	Number of Employees	Rank
Ontario	$182,100	1	$376	3	-	-
Federal	181,700	2	598	2	-	-
Quebec	153,400	3	329	5	2,372	3
B.C.	144,000	4	826.9	1	4,350	1
Alberta	135,200	5	334	4	3,005	2

As illustrated by this table, the Deputy Minister 2 Job Rate is fourth ranked among the Canadian jurisdictions compared. In the Ministry for Children and Families, the budget is also fourth largest, but the staff component is second largest. In the Ministry of Forests, the British Columbia budget is the largest by a significant margin. It also has the greatest number of employees.

The Panel also compared Deputy Minister Job Rates for the Ministry of Small Business and Tourism. In British Columbia, this ministry is the responsibility of a DM 3, with a Job Rate at $134,000. The comparisons are set out in Table 9.

TABLE 9: Deputy Minister — Small Business & Tourism (DM 3)

Province	Salary for Equivalent Level of Responsibility	Rank	Dollar Millions	Rank	Number of Employees	Rank
Ontario	$182,100	1	$110	2	375	4
Federal	158,000	2	-	-	4,000	1
Quebec	135,600	3	151	1	783	2
Alberta	135,200	4	51	4	205	5
B.C.	134,000	5	86	3	550	3

The Job Rate for the Deputy Ministers in the Ministry of Small Business and Tourism in British Columbia ranks fifth. The difference between the Job Rate for the Deputy Minister in British Columbia and that for the Deputy Minister of Tourism in Quebec is only $1,600. Quebec has a higher budget and more employees.

Based upon the above, it appears that the new Job Rates (Salary Ranges) for Deputy Ministers in British Columbia compare favourably to those of Deputy Ministers in other jurisdictions, with comparable responsibilities. The Job Rate for the Deputy Minister of Forests represents an exception.

2. RE-EARNABLE INCENTIVES/PERFORMANCE PAY & PENSIONS

A re-earnable incentive plan (or "at risk pay") allows Deputy Ministers to earn extra remuneration each year. It is not added to salary. It is based on performance measured against pre-determined standards. While there is currently no re-earnable incentive plan in British Columbia, such incentive plans are currently in effect in the federal government, Ontario, Quebec, Alberta, Yukon and the Northwest Territories. Each of these jurisdictions sets a maximum amount, which can be earned each year, usually formulated as a percentage of base salary. These jurisdictions have also developed criteria to determine the amount to be paid each year. In Ontario, there is an Incentive Plan that measures three factors: corporate performance, ministry performance, and individual performance. In Alberta, each Deputy Minister signs a performance contract.

The federal government conducted the most comprehensive review of Deputy Minister compensation systems, including incentive pay, in 1997. It appointed an Advisory Committee on Senior Level Retention and Compensation (the "Committee") and gave the Committee a three-year mandate to develop a long-term compensation strategy for the senior levels of the Public Service. In its first report in January 1998, the Committee recommended that Deputy Ministers (and senior managers) be paid in relation to their performance and that the Job Rate be the rate of pay merited by sustained, fully satisfactory performance.

As a transition, the Committee recommended that Deputy Ministers with satisfactory performance have their salaries moved to at least 90 percent of the current Job Rate within three years.

The Committee also recommended that once a Deputy Minister's salary reached at least 90 percent of the Job Rate, further satisfactory performance would be compensated by a combination of salary increases and pay "at risk".

In order to obtain an overall comparison, the Panel compared these re-earnable incentive plans and the pension plans available to Deputy Ministers in the different jurisdictions. Table 10, on the basis of Job Rates, sets out a cross-jurisdictional comparison for the total compensation for Deputy Ministers.

TABLE 10: Key Variables for Deputy Ministers' Compensation (Sum Total)

	Maximum Salary (Job Rate)	Re-earnable Incentive	Vacation to Start	Enhanced Pensionable Service	Pension Purchase	Total
Federal	$203,500	$20,350				$203,500
	181,700	18,170				181,700
	158,000	15,800				173,800
Ontario	182,100	36,420	$3,652	$30,957		253,129
Quebec	162,900	16,290	3,258			182,448
	158,200	15,820	3,164			177,184
	153,400	15,340	3,068			171,808
	144,500	14,450	2,890			161,840
	135,600	13,560	2,712			151,872
B.C.	154,000	11,600	3,080	12,320	$14,000	195,000
	144,000	11,600	2,880	11,520	14,000	184,000
	134,000	11,600	2,680	10,720	14,000	173,000
Alberta	135,200	27,040	2,704	5,408		170,352
NWT	102,804	51,402				154,206
Saskatchewan	132,841					132,841
	123,000					123,000
	113,900					113,900
Yukon	124,751	7,485				132,236
New Brunswick	110,800			8,864		119,664
	102,700			8,216		110,916
Manitoba	123,599			4,944		128,543
	106,424			4,257		110,681
	98,537			3,941		102,478
Nova Scotia	104,985			9,449		114,434
Newfoundland	108,976		4,359	4,359		117,694
P.E.I.	84,900					84,900

Average Salary (Incumbents)

B.C.	DM I (5)	$141,431	$2,829	$11,314	$14,000	$169,579
	DM II (7)	132,024	2,640	10,562	14,000	150,226
	DM III (26)	123,957	2,479	9,917	14,000	150,353

Note 1: Most provinces provide deputies with a car or allowance in lieu. Yukon and NWT are the exemptions. All provinces provide comparable health and welfare benefits. The vacation figure listed represents an entitlement above 4 weeks.

Note 2: At present, in British Columbia it has not been determined whether the maximum amount be treated as a re-earnable incentive or as ongoing compensation.

Note 3: Enhanced Pensionable Service refers to the pension credits earned by Deputy Ministers in excess of actual employment time as a Deputy Minister.

As revealed in Table 10, DM 1 Job Rates in British Columbia are compensated at the third highest rate in the country, higher than Deputy Minister Job Rates in Quebec. Without the "pension purchase", the total compensation for Deputy Ministers in British Columbia (based on Job Rates) ranks fourth. This is consistent with the size of British Columbia's public service and of the population.

3. COMPARABLE POSITIONS IN THE PUBLIC SECTOR

In Table 11, actual Deputy Minister salaries after the Reclassification and the January 2000 increases are compared with representative salaries paid to a variety of Chief Executive Officers, Presidents, and other senior positions in five sectors: Health, Education, Labour, Finance, and Advanced Education.

Note: 'JR' refers to the Job Rate for the respective Deputy Ministers.

TABLE 11: Cross-Sectoral Average Base Salary Comparisons

Health

Title	Representative Salary	Number of Matches	Notes
Chief Executive Officer - Large Health Board	$230,372	4	Pay Grade 21 of health Sector Plan for Group 1 (large) health employers
Vice-President - Large Health Board	152,267	8	Pay Grade 17 of Health Sector Plan for Group 1 (large) health employers
Chief Executive Officer - Small Health Board	132,000	1	Pay Grade 20 of Health Sector Plan for Group 2 (smaller) health employers
Chief Operating Officer - Smaller Hospital	113,498	10	Pay Grade 17 of health Sector Plan for Group 2 (smaller) health employers

DM, Health - DM 1	JR — 154,000
	Actual Pay 148,385

Education

Title	Representative Salary	Number of Matches	Notes
Superintendent/CEP - large school districts	$131,207	3	Districts with budgets over $150 million
Director, Human Resources	108,000	3	Districts with budgets over $150 million

DM, Education - DM2	JR - 144,000
	Actual Pay 125,729

Finance

Title	Representative Salary	Number of Matches	Notes
Chief Executive Officer - Crown Corporations	Range $120,000 –299,000	15	CEOs of member organizations of the Crown Corporations Employers' Association
Vice-President Finance - Large Health Board	151,977	10	Pay Grade 16 of Health Sector Plan for Group 1 (large) health employers
Secretary-Treasurer - Large school districts	112,884	3	Districts with budgets over $150 million

DM, Finance - DM 2	JR - 144,000
	Actual Pay 144,000

Advanced Education

Title	Representative Salary	Number of Matches	Notes
President – BC Universities	Range $150,000 –215,000	6	Base salaries of UPSEA member organizations
President - BC Colleges and Institutes	118,006	20	Average CEO base salaries of PSEA member organizations
Vice-President - Finance and Admin - BC Universities	127,600	5	Average VP - Admin base salaries of UPSEA member
Vice-President - Finance and Admin - BC Colleges and Institutes	93,892	20	Average VP - Admin base salaries of PSEA member organizations

DM, Advanced - DM 3	JR - 134,000
	Actual Pay 141,739

Note: benefit arrangements vary greatly between Deputy Ministers and all other comparators.

As a result of this cross-sectoral review of salaries, it is clear that certain senior public officials in British Columbia are compensated at higher levels than Deputy Ministers with whom there are reporting relationships.

The Panel considered this market analysis but concluded that the appropriate market comparator for Deputy Ministers is Deputy Minister positions in other Canadian jurisdictions, rather than within the context of the broader public sector. This choice is based on the comparabilities of responsibilities, skills and abilities of Deputy Ministers and the market for such particular skills in Canada. The market for executive salaries in the public sector has different factors and comparators, as noted in our public sector report.

There are other external comparisons, which can be made. For example, there are five Senior Legislative Officers, including the Ombudsman and the Auditor General who are paid a salary equivalent to that of the Chief Judge of the Provincial Court. Before the 1992 freeze, the Job Rate for DM 1 was one to four percent higher than that of the Chief Judge, whereas by 1999, the DM 1 rate was approximately 81 percent, or 19 percent lower

than the salary for the Chief Judge. Under the reclassified DM 1 Job Rate of $154,000, a DM 1 earning the Job Rate and the salary for the Chief Judge would be the same.

4. PUBLIC SERVICE PAY STRUCTURE

The current Job Rates and classifications for Assistant Deputy Ministers (ADMs) and Management Level (ML) positions, after the April increase, are set out in Table 12. The Panel notes that PSERC has proposed and PSEC has endorsed that these salary ranges be increased to create a better internal structure of relative salaries.

The proposed new salary ranges for Assistant Deputy Ministers and Senior Management Level positions are also set out in Table 12, together with the new salary ranges for Deputy Ministers.

TABLE 12: DM/ADM/ML Rates

Levels	Pre-January 1, 2000	Minimum April 2000	Job Rate April 2000	Maximum April 2000	Proposed New Job Rate
DM 1	$121,313	$115,200	$154,000	$165,600	
DM 2	115,800	115,200	144,000	155,600	
DM 3	110,285	115,200	134,000*	145,600	
ADM 1	101,000		103,020*		$119,000**
ADM 2	96,491		98,421		109,000**
ADM 3	92,105		93,947		99,000**
Mgt. Level 8	84,065		85,746		91,080**
Mgt. Level 7	78,212		79,781		83,793**
Mgt. Level 6	72,368		73,816		77,089**

*There is currently a $30,980 gap between a DM 3 and an ADM 1

Under the proposed new Job Rates for ADM/ML, there is the following relative salary structure:

** $15,000 gap between ADMs and Deputies
** $10,000 gap between ADM levels
** 8% gap between senior management levels

The bargaining units in the government have negotiated general increases in some of the years between 1992 and 1999 when the Deputy Ministers salaries were largely frozen, except for a one percent increase in 1997. In addition, the bargaining units have negotiated pay equity adjustments and reclassifications over these years.

RECOMMENDATIONS AND CONCLUSIONS

The Panel respectfully submits the following recommendations on the matters set out in Part II of the Terms of Reference.

A. COMPENSATION STRUCTURE

1. DEPUTY MINISTER COMPENSATION DETERMINATION

It is the view of the Panel that the factors and comparators appropriate to the determination of compensation for Deputy Ministers are:

a. Compensation for comparable positions in other jurisdictions and in the broader British Columbia public sector;
b. Appropriateness of Deputy Minister salaries relative to Associate Deputy Minister and Management Level salaries; and
c. The job performance of an individual Deputy Minister.

2. CLASSIFICATION AND SALARY RANGES

On the basis of the comparators analyzed, the Panel concludes that the three new classifications and their respective Job Rates are appropriate.

The Panel recommends that each classification have its own defined salary scale with a unique minimum, rather than a common minimum of $115,200. The Panel further recommends that the minimums for each classification be established so that an individual who is placed at the minimum salary, and who performs satisfactorily will progress through the salary range to the Job Rate in no more than three years. The Panel also recommends that the minimum salary in each classification be 85 percent of the Job Rate, except for the DM 3 classification that should retain the current minimum salary level of $115,200 or 86 percent of the DM 3 Job Rate.

The Panel recommends that the salary range for each of the three classifications be between the minimum and the respective Job Rate. As detailed below, the Panel also recommends the implementation of a re-earnable incentive, which can potentially increase compensation by up to $11,600 annually in each classification.

These recommendations result in these ranges for the three classifications:

TABLE 13:

Classification	Minimum	Job Rate	Available (Re-earnable Incentive)	Available Salary Total
DM 1	$130,900	$154,000	($11,600)	$165,600
DM 2	122,400	144,000	(11,600)	155,600
DM 3	115,200	134,000	(11,600)	145,600

Note: the Panel has reviewed the Deputy Ministers' individual salaries and has ascertained that these new minimums do not require any increase at the DM 3 level, require approximately a 2% increase for one individual at DM 2, and approximately a 7% increase for one individual at DM 1.

3. PENSION MATTERS

The Panel recommends that the 1981 special pension purchase benefit be deleted for future appointments. This pension benefit increases the total Deputy Minister compensation package inappropriately in comparison to other jurisdictions and also facilitates early retirement by Deputy Ministers. As well, it no longer serves its original policy purpose. The Panel recognizes that this benefit cannot be removed for existing incumbents.

As detailed separately, Deputy Ministers earn 1.5 years of pension service credits for each year served as a Deputy Minister. The maximum pension percentage of 70 percent is attained with 35 years of credit to pension service. For a Deputy Minister this will occur prior to 35 years of actual service.

Currently, the pension rules require that Deputy Ministers continue to contribute to the pension plan until they have 35 years of actual employment, notwithstanding that a Deputy Minister will have attained the maximum credit to pension service and funding of the pension will have been adjusted to reflect the additional pension credits of a Deputy Minister.

In the circumstances, requiring a Deputy Minister to contribute to the pension plan until they have 35 years of employment is a disincentive for Deputy Ministers to remain in public service if they have earned the maximum pension percentage of 70 percent.

Therefore, the Panel recommends that the pension contributions of a Deputy Minister who has attained the maximum pensionable service cease, as it ceases for other public servants who have attained maximum pensionable service contributions.

4. SUMMARY OF RECOMMENDED COMPENSATION STRUCTURE

The resulting total possible compensation package for Deputy Ministers who have reached their Job Rates, with the present vacation and other pension benefits, will be as follows:

TABLE 14:

Classification	Job Rate	Re-earnable Incentives	Vacation	Pension	Total (no REI)	Total +REI
DM1	$154,000	$11,600	$3,080	$12,320	$169,400	$181,000
DM2	144,000	11,600	2,880	11,520	158,400	170,000
DM3	134,000	11,600	2,680	10,720	147,400	159,000

Note: Vacation is in excess of 4 weeks.

B. INTERNAL EQUITY

Deputy Minister salaries must have an appropriate relationship relative to Assistant Deputy Minister and Management Level salaries. Currently, Assistant Deputy Minister and Management Level Job Rates are significantly below the new Deputy Minister Job Rates. The Panel is of the view that the differential between the Assistant Deputy Minister and Management Level Job Rates and the Deputy Minister Job Rates would be far more appropriate if the proposed and PSEC endorsed Assistant Deputy Minister/Management Level Job Rates were implemented.

C. COMPENSATION IMPLEMENTATION

1. PROPOSED APRIL 2000 AND JULY 2000 SALARY ADJUSTMENTS

The Panel recommends that the proposed April 2000 adjustment of 2 percent be implemented for Deputy Ministers.

The Panel recommends that the July 2000 increases not be implemented as currently proposed.

Effective April 1, 2001 the Panel recommends that all individual Deputy Ministers be paid no less than the new minimum salary level for his/her classification, and:

a. The performance of each Deputy Minister will be assessed using the employee performance system now in place;

b. Where a Deputy Minister's performance is satisfactory or better, the individual Deputy Minister be awarded an increase of up to 5% of his/her salary, with an upper limit of 100% of his/her Job Rate;

c. There will be no commitment to increase any individual Deputy Minister's salary and there will be no automatic or across the board increase; and,

d. If the Deputy Minister to the Premier is satisfied that an individual Deputy Minister who is placed at less than 95 percent of his/her Job Rate has already performed satisfactorily for three years by objective standards, the Deputy Minister to the Premier will have the discretion to adjust that Deputy Minister's salary by more than five percent with an upper limit of 100 percent of the Job Rate.

2. CLASSIFICATION AND RE-CLASSIFICATION

The Panel recommends that the present system of classifying Deputy Minister's, according to levels of responsibilities to which they are assigned, be maintained. Further, the three classification levels should be maintained.

The Panel recommends that a review of the classification of particular Deputy Minister assignments is in order. The Panel is not satisfied that certain Deputy Ministers are currently appropriately classified. As an example, the classification of the Deputy Minister for Finance and Corporate Relations at Level 2 needs review.

The Panel also recommends that in the reconsideration of the appropriate classification of Deputy Ministers, matters to be reviewed include numbers of employees in the Ministry, size of Ministry budget, and an assessment of the impact of the Ministry on the public.

When the government alters responsibilities of Ministries, it is imperative that the incumbent Deputy Ministers' classifications be reviewed based on the same criteria, and reclassified if appropriate.

With regard to the classification of individual Deputy Minister's, it is obviously incumbent on the government to ensure that individuals recruited and retained to the various Deputy Minister assignments have the skill, ability and experience equal to the tasks of the position. There will be cases where Deputy Ministers are moved from one Deputy Minister assignment to another with a higher classification level. The Panel recommends that consideration be given to the use of "Acting pay" rather than re-classification when a Deputy Minister is initially assigned to a higher category.

3. PERFORMANCE PAY SYSTEM

The Panel recommends that, effective April 1, 2001, once classified and placed within a salary range, each individual Deputy Minister will move up the salary range through a system of performance pay involving an annual assessment of his/her performance.

The Panel recommends the following method:

a. For each fiscal year, the Deputy Minister to the Premier will develop targets and ongoing commitment goals for each Deputy Minister.

b. At the end of each fiscal year, the Deputy Minister to the Premier will measure the Deputy Minister's performance against these criteria. A satisfactory performance is when the Deputy Minister meets or exceeds the established criteria.

c. Each Deputy Minister performing satisfactorily or better can achieve a maximum of five percent salary increase per year, until the Deputy Minister reaches 100 percent of his/her Job Rate.

d. Each Deputy Minister having continuous satisfactory performance for three years will reach his/her Job Rate within that period.

e. When a Deputy Minister reaches his/her Job Rate, that DM will continue to have an annual performance assessment, and a satisfactory performance rating will qualify that individual to be considered for the re-earnable incentive pay in that year. The Panel considers that this aspect continues to encourage day-to-day competency as well as rewarding exceptional performance. .

f. In the case of the Deputy Minister to the Premier, these steps, inclusive of setting targets, performance assessment, and determining resulting compensation will be conducted by the Premier.

The Panel also recommends that the Deputy Minister to the Premier be provided with sufficient resources to set up and implement this system of Deputy Minister performance appraisal.

4. RE-EARNABLE INCENTIVES

The Panel recommends that in addition to a system of performance appraisal and performance pay, a re-earnable incentive system be implemented to compensate Deputy Ministers whose performances substantively exceeds expectations in a given year. Re-earnable incentives are awarded for that year only. Re-earnable incentives are not to be added to the salary level, but must be earned anew each year.

The Panel recommends that the system of re-earnable incentives be implemented as follows:

a. Re-earnable incentive pay of $11,600 shall be available to all Deputy Ministers at their Job Rate. This amount is between 7 and 8.65 percent of Deputy Ministers' salary, which is a smaller portion of Deputy Minister compensation as a re-earnable incentive than other jurisdictions such as Ontario (20%), Alberta (18%), and the Federal Government (10%). However, the Panel regards the single amount as fair, and a good start, with the potential to expand as the Deputy Minister compensation system is developed in the future.

b. The collective amount available for re-earnable incentives earned in any given fiscal year shall be no greater than the number of Deputy Ministers multiplied by $11,600 multiplied by 50 percent.

c. A method for assessing the areas and types of performance which will qualify Deputy Ministers for re-earnable incentives, such as exceeding targets, very special projects, or exceptional performance in the particular circumstances of the Ministry shall be established. These criteria will be different than those utilized for salary-related performance pay and may be different for each Deputy Minister.

d. The Deputy Minister to the Premier shall assess each Deputy Minister's extra performance according to the particular re-earnable incentive criteria, and set the amount of his or her re-earnable incentive each year. There is no commitment that a Deputy Minister will earn a re-earnable incentive at any time. (In the case of the Deputy Minister to the Premier, the Premier will conduct these assessments and determine any appropriate re-earnable incentive.)

e. The amount of re-earnable incentive that a Deputy Minister may earn will depend upon his or her placement in the salary range. A Deputy Minister, whose salary is below the Job Rate, even after the salary increase, can earn a re-earnable incentive, up to the difference between his/her salary that year and the Job Rate, to a maximum of $11,600. Once a Deputy Minister reaches 100% of the Job Rate, that Deputy Minister is able to earn a re-earnable incentive up to the maximum level of $11,600.

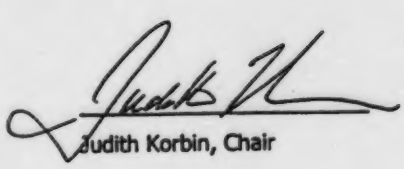
5. FUTURE JOB RATES AND SALARY RANGES

Overall, the Panel recommends that the issue of executive compensation, including relative salaries, be removed from the political arena. The Panel also recommends that Deputy Minister increases neither depend on nor are correlated with increases to unionized employees.

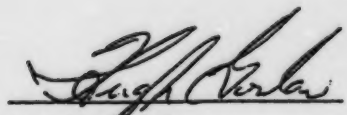
The Panel recommends that an independent Advisory Committee be appointed immediately and meet no less than annually to review compensation of Deputy Ministers and the executive level of the British Columbia public service. The objective of an annual review is to ensure that government is not faced with critical compensation issues at its executive level. This Committee should be charged with confirming that levels of compensation for executive members of government are current and appropriate. The Committee will determine future Job Rates and salary ranges for Deputy Ministers, Assistant Deputy Ministers, and Management Levels by reference to relevant comparisons consistent with the policy guidelines identified in this Report, and such other matters, as the Committee deems appropriate.

We recommend that the membership of the Committee be composed predominately of several credible individuals in leadership positions in the community outside the public sector. There will be an obligation for this Committee to liaise carefully with the CEO of the Public Sector Employers Council Secretariat.

All of which is respectfully recommended by the Panel to the Premier of British Columbia.



Judith Korbin, Chair



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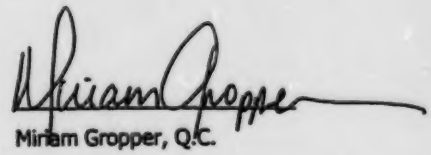

Miriam Gropper, Q.C.

APPENDIX 'A'

DEPUTY MINISTER CLASSIFICATIONS BY MINISTRY

	MINISTRY
DM 1	Attorney General (Deputy Attorney General) Health Premier's Office (Deputy Minister)
DM 2	Aboriginal Affairs Attorney General (Deputy Minister for the Ministry of the Attorney General) Children and Families Education Environment, Lands and Parks Finance & Corporate Relations Forests Social Development & Economic Security
DM 3	Advanced Education, Training and Technology Agriculture and Food Co-operatives Community Development, Co-op & Volunteer Employment & Investment Energy & Mines Government Policy & Communications Office Fisheries Information, Science & Technology Agency Intergovernmental Relations Secretariat Labour Municipal Affairs Premier's Office (Government Priorities) Public Service Employee Relations Commission Small Business, Tourism & Culture Transportation & Highways Women's Equality
Equivalent	Equivalent to DM1 — Premier's Office (Chief of Staff) Equivalent to DM3 — Attorney General (Children's Commissioner) Equivalent to DM3 — BC Assets & Land Corporation Equivalent to DM3 — BC Marketing Board Equivalent to DM3 — BC Pensions Corporation Equivalent to DM3 — BC Transportation Finance Authority Equivalent to DM3 — Forest Practices Board Equivalent to DM3 — Forest Renewal BC Equivalent to DM3 — Premier's Office (Cabinet Secretary – Cabinet Operations) Equivalent to DM3 — Premier's Office (Senior Advisor to the Premier)